

Message Text

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ACTION EB-07

INFO OCT-01 ARA-06 EUR-12 ISO-00 SP-02 AID-05 NSC-05

CIEP-01 TRSE-00 SS-15 STR-04 OMB-01 CEA-01 L-03 H-02

PA-01 PRS-01 CIAE-00 COME-00 FRB-03 INR-07 NSAE-00

USIA-06 XMB-02 OPIC-03 LAB-04 SIL-01 /093 W

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R 201102Z OCT 75

FM AMEMBASSY BONN

TO SECSTATE WASHDC 3702

INFO AMEMBASSY PARIS

AMEMBASSY SANTIAGO

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C O R R E C T E D C O P Y P A R A O N E L A S T L I N E

E.O. 11652: N/A

TAGS: EFIN, CI

SUBJECT: FRG-CHILE DEBT RESCHEDULING AGREEMENT

REF: BONN 15334 (NOTAL)

1. BILATERAL FRG-CHILE DEBT RESCHEDULING AGREEMENT WAS SIGNED IN BONN ON OCTOBER 14. ALL PROVISIONS ARE IN ACCORD WITH PARIS CLUB UNDERSTANDING. CONSOLIDATED INTEREST RATE IS 6.13 PERCENT. ODA DEBTS, WHICH ACCOUNTED FOR HALF OF TOTAL MATURITIES COVERED BY AGREEMENT, WERE RENEGOTIATED AT 4.5 PERCENT, WHICH IS NOW THE MINIMUM INTEREST RATE FOR FRG CONCESSIONAL LENDING TO COUNTRIES NOT IN LEAST DEVELOPED CATEGORY. INTEREST RATE FOR COMMERCIAL CREDITS IS 7.75 PERCENT.

2. BREAKDOWN OF INTEREST RATES ON ODA AND COMMERCIAL CREDITS WAS CARRIED IN OCTOBER 16 FRANKFURTER
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ALLGEMEINE ZEITUNG. GEHRING IN ECONMIN TOLD EMBOFF

THAT HE VERY MUCH REGRETTED THIS LEAK, FOR FRG HAD ASSURED CHILE NEGOTIATING TEAM THAT IT WOULD NOT RELEASE THIS INFORMATION. CHILEANS FEAR THAT OTHER CREDITORS MIGHT TRY TO USE 7.75 PERCENT AS TARGET FOR INTEREST RATE ON COMMERCIAL CREDITS IN THEIR UPCOMING BILATERAL NEGOTIATIONS WITH CHILE. SINCE COMMERCIAL DEBTS ACCOUNT FOR MOST OF THE MATURITIES FALLING DUE TO OTHER CREDITORS, THE CONSOLIDATED INTEREST RATE FOR THESE BILATERALS WOULD BE UNBEARABLY HIGH FOR CHILE, IF COMMERCIAL CREDITS ARE RESCHEDULED AT 7.75 PERCENT. DESPITE LOCAL PRESS REPORT, GEHRING ASKED US NOT TO DIVULGE BREAKDOWN TO OTHER CREDITORS.

3. GEHRING EXPLAINED THAT FRG POSITION WAS SET BY TWO CRITERIA: THE 4.5 PERCENT LEGAL LIMIT ON ODA CREDITS AND DESIRE TO STAY AS CLOSE AS POSSIBLE TO CONSOLIDATED RATE AGREED IN US-CHILE BILATERAL. RELATIVELY HIGH 7.75 PERCENT RATE FOR COMMERCIAL CREDITS WAS A RESULT OF THE APPLICATION OF THESE TWO CRITERIA, RATHER THAN AN FRG NEGOTIATING GOAL. GEHRING HAD THE IMPRESSION THAT CHILEAN NEGOTIATING TEAM WAS NOT DISSATISFIED WITH THESE RATES.
HILLENBRAND

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Message Attributes

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Disposition Authority: GolinoFR
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Margaret P. Grafeld
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06 JUL 2006

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